

JACKSON COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2009

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Jackson County School District
McKee, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson County School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jackson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009 on our consideration of Jackson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 7 and 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The additional information shown on pages 34 and 35 and 37 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 40 through 42 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baldwin CPAs, PLLC

London, Kentucky
November 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JACKSON COUNTY SCHOOL DISTRICT - MCKEE, KY
YEAR ENDED JUNE 30, 2009

As management of the Jackson County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$371,853 and the ending cash balance was \$1,843,982. This is an increase of \$1,472,129. The District went into a reduction in cost mode to increase the ending balance to insure a minimal two percent contingency which was the goal we set as a District. We achieved that goal in our overall operation of the District. The ending balance was improved due to these efforts and the increase in our tax revenue in the areas of delinquent taxes and property taxes.
- The District's plan was to save as much money as possible in all areas of operations, including reducing personnel. The budget committee has worked hard to eliminate all positions possible without hurting the integrity of the District.
- A concerted effort was focused on saving as much as possible when purchasing in the areas of supplies, food, maintenance items and other materials. We have targeted our Food Service as a top priority for improvements. We have started working with local districts to purchase supplies with a three county cooperative approach. This has resulted in a saving in operations in Food Service. We have also been effective in saving some monies in other areas of purchasing.
- Our next major project will be a new Jackson County High School which will begin during the 2009-2010 school year. This will be a phased project with the first phase starting in November 2009. The District plans on spending \$8.8 million for this project, of which funding will consist of \$6.4 million in state monies and \$2.4 million from local bonding sources. This will give the District a facility that will house grades 10-12. We will use our current facility as a Freshman Academy which research indicates is a great way to educate children. This project will add extra operational cost to the budget with the extra cost being offset by a reduction in KISTA payments.
- Our District continues to look for outside funding streams as a way of enriching our efforts to be proficient by 2014.
- Our District remains committed to educational excellence by keeping teacher salaries high and the student-teacher ratio low. The influx of ARRA funds has allowed our district to improve the quality of education by opening up positions for the upcoming school year in the area of enrichment and quality programs for our students.
- The General Fund had \$17.6 million in revenues, which primarily consisted of the state program (SEEK), property and motor vehicle taxes, Medicaid, and Forestry income.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JACKSON COUNTY SCHOOL DISTRICT - MCKEE, KY
YEAR ENDED JUNE 30, 2009

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our day care, adult education and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18-33 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$11.3 million as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JACKSON COUNTY SCHOOL DISTRICT - MCKEE, KY
YEAR ENDED JUNE 30, 2009

Net Assets for the period ending June 30, 2009

This is the seventh year that the District is following GASB 34 and comparing assets, liabilities and net assets. 2009 District-Wide Net Assets compared to 2008 follows:

	<u>2009</u>	<u>2008</u>
Current assets	\$ 2,746,792	\$ 2,117,798
Non-current assets	<u>19,915,431</u>	<u>20,600,717</u>
Total Assets	<u>22,662,223</u>	<u>22,718,515</u>
Current liabilities	1,353,145	1,441,625
Non-current liabilities	<u>10,057,082</u>	<u>10,580,001</u>
Total Liabilities	<u>11,410,227</u>	<u>12,021,626</u>
Net Assets		
Investments in capital assets (net of debt)	8,154,970	8,197,265
Restricted	48,233	50,080
Unreserved fund balance	<u>3,048,793</u>	<u>2,449,544</u>
Total Net Assets	<u>\$ 11,251,996</u>	<u>\$ 10,696,889</u>

There has been no significant change in the financial position of the District since the last audit.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2009, net of Interfund transfers and bond proceeds, were \$24.7 million.
- General fund budget compared to actual revenue varied slightly from line item to line item except for the other revenue from state sources item with the ending actual revenue being \$3,836,740 more than budget or approximately twenty eight percentage points. This variance is primarily the result of reflecting on-behalf amounts in revenue. The on-behalf revenue is not a budget item.
- The total cost of all programs and services was \$24.2 million net of debt service.
- General fund budget expenditures to actual varied significantly. The primary reason for the variance is the on-behalf amounts are included in actual expenditures but those on-behalf amounts are not budgeted.

The following table presents a summary of governmental funds revenue and expenditures, excluding transfers, for the fiscal years ended June 30, 2009 and 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JACKSON COUNTY SCHOOL DISTRICT - MCKEE, KY
YEAR ENDED JUNE 30, 2009

	<u>2009</u>	<u>2008</u>
REVENUES		
Local revenue sources	\$ 1,978,650	\$ 1,951,802
State revenue sources	17,856,658	18,144,352
Federal revenue	3,149,716	3,672,188
Other sources	326,229	118,985
Capital lease proceeds	303,825	-
Total revenues	<u>23,615,078</u>	<u>23,887,327</u>
EXPENDITURES		
Instruction	13,083,270	13,783,789
Student support services	1,343,340	1,182,411
Instructional support	1,918,185	1,700,693
District administration	470,254	459,863
School administration	566,561	573,247
Business support	422,851	397,331
Plant operations	1,753,256	1,760,389
Student transportation	1,725,492	1,877,145
Facilities acquisition and constuction	65,273	551,769
Community service activities	348,193	372,044
Debt service	1,126,584	1,137,009
Total expenditures	<u>22,823,259</u>	<u>23,795,690</u>
Revenues in Excess of Expenditures	<u>\$ 791,819</u>	<u>\$ 91,637</u>

The major factor in the above changes is the concerted effort we focused on saving as much as possible when purchasing.

General Fund Revenue

The majority of general fund revenue was derived from state funding with local taxes making up 11% of total general fund revenue.

Budget Allocation

Site Based Decision Making Councils expended 55.6% of the general fund budget; the majority of the non-SBDM funds (14%) was spent serving children with special needs. The remaining 30.4% was expended in central support services. (Refer to Central Support Allocation for the breakdown of the central support services percent).

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JACKSON COUNTY SCHOOL DISTRICT - MCKEE, KY
YEAR ENDED JUNE 30, 2009**

School Allocation

Regular Instruction accounts for 75% of the school level expenditures.

Central Support Allocation

Central support services expenditures were Transportation 11%, Maintenance and Operations 8.5%, and Business Functions 10.9%.

BUDGETARY IMPLICATIONS

In Kentucky public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The board adopted a budget with a \$631,420 contingency (3%). The District ended the year with a \$1,379,377 contingency.

CONTACTING THE JACKSON COUNTY SCHOOL DISTRICT MANAGEMENT

Questions regarding this report should be directed to the Superintendent (606) 287-7181 or to Roxann Coffey, Director of Financial Services (606) 287-7181 or by mail at P.O. Box 217, McKee, Kentucky 40447.

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 1,828,686	\$ 15,296	\$ 1,843,982
SFCC current receivable of bonds payable	229,756	-	229,756
Accounts receivable	440,870	75,188	516,058
Inventory	132,776	24,220	156,996
Total current assets	2,632,088	114,704	2,746,792
Noncurrent Assets			
SFCC long-term receivable of bond principal	1,136,635	-	1,136,635
Capital assets	29,002,349	812,618	29,814,967
Less: Accumulated depreciation	(10,437,288)	(598,883)	(11,036,171)
Total noncurrent assets	19,701,696	213,735	19,915,431
Total assets	\$22,333,784	\$ 328,439	\$22,662,223
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 193,172	\$ 25,600	\$ 218,772
Accrued payroll and withholding obligations	219,267	-	219,267
Interest payable	63,898	-	63,898
Current portion of accrued sick leave	34,464	-	34,464
Current portion of bond obligations	816,744	-	816,744
Total current liabilities	1,327,545	25,600	1,353,145
Noncurrent Liabilities			
Noncurrent portion of bond obligations	9,807,082	-	9,807,082
Noncurrent portion of accrued sick leave	250,000	-	250,000
Total noncurrent liabilities	10,057,082	-	10,057,082
Total liabilities	11,384,627	25,600	11,410,227
NET ASSETS			
Invested in capital assets, net of related debt	7,941,235	213,735	8,154,970
Restricted for:			
Capital projects	48,233	-	48,233
Unrestricted	2,959,689	89,104	3,048,793
Total net assets	10,949,157	302,839	11,251,996
Total liabilities and net assets	\$22,333,784	\$ 328,439	\$22,662,223

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

FUNCTIONS/PROGRAMS

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities						
Instruction	\$ 13,676,607	\$ 4,376	\$ 3,013,413	\$ -	\$ (10,658,818)	\$ -
Support services:						
Student	1,365,555	-	93,998	-	(1,271,557)	-
Instruction staff	1,937,906	-	970,749	-	(967,157)	-
District administrative	479,732	-	-	-	(479,732)	-
School administrative	567,411	-	6,998	-	(560,413)	-
Business	428,204	-	11,926	-	(416,278)	-
Plant operation and maintenance	1,442,337	3,600	-	-	(1,438,737)	-
Student transportation	1,883,189	-	57,742	-	(1,825,447)	-
Facilities acquisition and construction	-	-	-	784,350	784,350	-
Community service activities	348,193	802	347,725	-	334	-
Other	-	-	7,176	-	7,176	-
Interest on long-term debt	402,629	-	-	-	(402,629)	-
Total governmental activities	22,531,763	8,778	4,509,727	784,350	(17,228,908)	-
Business-type Activities						
Food service	1,549,558	127,151	1,335,675	84,026	-	(2,706)
Adult education	16,015	10,183	1,421	-	-	(4,411)
Day care	105,317	29,363	76,050	-	-	96
Total business-type activities	1,670,890	166,697	1,413,146	84,026	-	(7,021)
Total school district	\$ 24,202,653	\$ 175,475	\$ 5,922,873	\$ 868,376	(17,228,908)	(17,235,929)

General Revenues	
Property taxes	1,418,319
Delinquent property tax	122,451
Motor vehicle taxes	333,764
Unmined minerals tax	3,189
Other taxes	18,409
Revenue in lieu of taxes	157,064
Investment earnings	78,142
State aid formula grants	15,484,602
Loss compensation	106,920
Miscellaneous	66,621
Total general revenues	17,789,481
Change in net assets	560,573
Net assets - beginning	10,388,584
Net assets - ending	\$ 10,949,157

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,658,909	\$ (300,955)	\$ 360,170	\$ 110,562	\$ 1,828,686
Accounts receivable	107,193	333,677	-	-	440,870
Inventory	132,776	-	-	-	132,776
Total assets	<u>\$ 1,898,878</u>	<u>\$ 32,722</u>	<u>\$ 360,170</u>	<u>\$ 110,562</u>	<u>\$ 2,402,332</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 160,450	\$ 32,722	\$ -	\$ -	\$ 193,172
Accrued payroll and withholding obligations	219,267	-	-	-	219,267
Current portion of accrued sick leave	34,464	-	-	-	34,464
Total liabilities	<u>414,181</u>	<u>32,722</u>	<u>-</u>	<u>-</u>	<u>446,903</u>
Fund Balances					
Reserved for:					
Inventories	132,776	-	-	-	132,776
Unreserved, designated for	-	-	360,170	110,562	470,732
Unreserved	1,351,921	-	-	-	1,351,921
Total fund balances	<u>1,484,697</u>	<u>-</u>	<u>360,170</u>	<u>110,562</u>	<u>1,955,429</u>
Total liabilities and fund balances	<u>\$ 1,898,878</u>	<u>\$ 32,722</u>	<u>\$ 360,170</u>	<u>\$ 110,562</u>	<u>\$ 2,402,332</u>

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balance per fund financial statements	\$ 1,955,429
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	18,565,061
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	1,366,391
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(10,937,724)</u>
Net assets of governmental activities	<u>\$ 10,949,157</u>

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$1,363,057	\$ -	\$ -	\$ 177,713	\$ 1,540,770
Motor vehicle taxes	333,764	-	-	-	333,764
Unmined minerals taxes	3,189	-	-	-	3,189
Other taxes	18,409	-	-	-	18,409
Earnings on investments	74,521	3,535	86	-	78,142
Other local revenues	-	4,376	-	-	4,376
State sources					
SEEK	11,739,964	-	-	196,854	11,936,818
Other	3,668,775	1,450,307	276,688	524,070	5,919,840
Federal sources	75,863	3,010,427	-	63,426	3,149,716
Revenue in lieu of taxes	157,064	-	-	-	157,064
Other revenues	165,263	3,902	-	-	169,165
Total revenues	17,599,869	4,472,547	276,774	962,063	23,311,253
Expenditures					
Instruction	10,069,857	3,013,413	-	-	13,083,270
Support services					
Student	1,249,342	93,998	-	-	1,343,340
Instruction staff	947,436	970,749	-	-	1,918,185
District administration	470,254	-	-	-	470,254
School administration	559,563	6,998	-	-	566,561
Business	410,925	11,926	-	-	422,851
Plant operation and maintenance	1,543,913	-	-	209,343	1,753,256
Student transportation	1,667,750	57,742	-	-	1,725,492
Facilities acquisition and construction	-	-	-	65,273	65,273
Community service activities	468	347,725	-	-	348,193
Debt service	-	1,125,084	-	1,500	1,126,584
Total expenditures	16,919,508	4,502,551	1,125,084	276,116	22,823,259
Excess (deficit) of revenues over expenditures	680,361	(30,004)	(848,310)	685,947	487,994
Other Financing Sources (Uses)					
Proceeds from sale of fixed assets	-	-	-	-	-
Capital lease proceeds	-	-	303,825	-	303,825
Operating transfers in	241,741	42,323	848,157	-	1,132,221
Operating transfers out	(181,361)	(12,319)	(229,422)	(709,119)	(1,132,221)
Total other financing sources (uses)	60,380	30,004	922,560	(709,119)	303,825
Net change in fund balances	740,741	-	74,250	(23,172)	791,819
Fund balance, July 1, 2008	743,956	-	285,920	133,734	1,163,610
Fund balance, June 30, 2009	\$ 1,484,697	\$ -	\$ 360,170	\$ 110,562	\$ 1,955,429

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net change in total fund balances per fund financial statements \$ 791,819

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays are reported as expenditures in this fund financial statement
because they use current financial resources, but they are presented as
assets in the statement of activities and depreciated over their
estimated economic lives. The difference is the amount by which
capital outlays exceeds depreciation expense for the year. (442,459)

The proceeds of receipts of accounts receivable provide current financial
resources and are reported in this fund financial statement but they are
presented as a reduction of assets in the statement of net assets. (218,917)

Bond and capital lease payments are recognized as expenditures of current
financial resources in the fund financial statement but are reductions of
liabilities in the statement of net assets. 717,060

The proceeds for the acquisition of capital leases provide current financial
resources and are reported in this fund financial statement but they are
presented as liabilities in the statement of net assets. (303,825)

Generally, expenditures recognized in this fund financial statement are limited
to only those that use current financial resources, but expenses are
recognized in the statement of activities when they are incurred. 16,895

Change in net assets of governmental activities \$ 560,573

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2009

ASSETS	Food Service Fund	Other Enterprise Funds	Total
Current Assets			
Cash and cash equivalents	\$ 46,725	\$ (31,429)	\$ 15,296
Other receivables	43,142	32,046	75,188
Inventory	24,220	-	24,220
Total current assets	<u>114,087</u>	<u>617</u>	<u>114,704</u>
Noncurrent Assets			
Capital assets	812,618	-	812,618
Less: accumulated depreciation	(598,883)	-	(598,883)
Total noncurrent assets	<u>213,735</u>	<u>-</u>	<u>213,735</u>
Total assets	<u>327,822</u>	<u>617</u>	<u>328,439</u>
LIABILITIES			
Current Liabilities			
Accounts payable	24,686	914	25,600
Total current liabilities	<u>24,686</u>	<u>914</u>	<u>25,600</u>
NET ASSETS			
Invested in capital assets, net of related debt	213,735	-	213,735
Unrestricted	89,401	(297)	89,104
Total net assets	<u>\$ 303,136</u>	<u>\$ (297)</u>	<u>\$ 302,839</u>

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Food Service Fund	Other Enterprise Funds	Total
Operating Revenues			
Food service sales	\$ 127,151	\$ 684	\$ 127,835
Community service activities	-	38,862	38,862
Other operating revenues	-	1,555	1,555
Total operating revenues	<u>127,151</u>	<u>41,101</u>	<u>168,252</u>
Operating Expenses			
Salaries and wages	690,274	107,149	797,423
Professional and contract services	34,814	2,178	36,992
Supplies and materials	810,864	10,648	821,512
Depreciation	13,071	-	13,071
Other operating expenses	535	1,358	1,893
Total operating expenses	<u>1,549,558</u>	<u>121,333</u>	<u>1,670,891</u>
Operating income (loss)	<u>(1,422,407)</u>	<u>(80,232)</u>	<u>(1,502,639)</u>
Nonoperating revenues (expenses)			
Federal grants	1,211,145	-	1,211,145
State grants	124,530	77,472	202,002
Donated commodities	84,026	-	84,026
Total nonoperating revenues (expenses)	<u>1,419,701</u>	<u>77,472</u>	<u>1,497,173</u>
Net income (loss)	(2,706)	(2,760)	(5,466)
Net assets, July 1, 2008	<u>305,842</u>	<u>2,463</u>	<u>308,305</u>
Net assets (deficit), June 30, 2009	<u>\$ 303,136</u>	<u>\$ (297)</u>	<u>\$ 302,839</u>

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2009

	Food Service Fund	Other Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 127,151	\$ 684	\$ 127,835
Cash received from user charges	-	39,176	39,176
Cash received from other activities	-	1,555	1,555
Cash payments to employees for services	(582,817)	(107,149)	(689,966)
Cash payments to suppliers for goods and services	(770,791)	(12,276)	(783,067)
Cash payments for other operating activities	(535)	(1,358)	(1,893)
Net cash provided by (used in) operating activities	<u>(1,226,992)</u>	<u>(79,368)</u>	<u>(1,306,360)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	-	-
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities			
Nonoperating grants received	1,368,743	77,472	1,446,215
Net cash provided by noncapital financing activities	<u>1,368,743</u>	<u>77,472</u>	<u>1,446,215</u>
Net increase (decrease) in cash and cash equivalents	141,751	(1,896)	139,855
Cash and cash equivalents - beginning of year	<u>(95,026)</u>	<u>(29,533)</u>	<u>(124,559)</u>
Cash and cash equivalents - end of year	<u>\$ 46,725</u>	<u>\$ (31,429)</u>	<u>\$ 15,296</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (1,422,407)	\$ (80,232)	\$ (1,502,639)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
State on-behalf payments	107,457	-	107,457
Depreciation	13,071	-	13,071
Donated commodities	84,026	-	84,026
Changes in assets and liabilities:			
Receivables	-	314	314
Inventory	(10,527)	-	(10,527)
Accounts payable	1,388	550	1,938
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,226,992)</u>	<u>\$ (79,368)</u>	<u>\$ (1,306,360)</u>
Non-Cash Non-Capital Financing Activities			
Donated commodities received from federal government	<u>\$ 84,026</u>	<u>\$ -</u>	<u>\$ 84,026</u>

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
June 30, 2009

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 126,291
Accounts receivable	<u>11,895</u>
Total assets	<u>\$ 138,186</u>
Liabilities	
Accounts payable	\$ 9,177
Due to student groups	<u>129,009</u>
Total liabilities	<u>\$ 138,186</u>

See notes to financial statements

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Jackson County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Jackson County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Jackson County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Jackson County School District Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Jackson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

District-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

The district-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Government Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

I. Government Fund Types - continued

- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 40 through 43. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan. This is a nonmajor fund of the District.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a nonmajor fund of the District.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a nonmajor fund of the District.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

II. Proprietary Fund Types (Enterprise Fund) - continued

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education publication *Uniform Program of Accounting for School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting - continued

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied by September 30 on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$.51 per \$100 valuation for real property, \$.51 per \$100 valuation for business personal property and \$.568 per \$100 valuation for motor vehicles.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

On district-wide financial statements inventories of supplies and materials are stated at cost and are expensed when used. On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The school food service fund inventory consists of food, supplies and U.S. Government commodities.

The food service fund inventory is stated at cost and uses the specific identification method and the general fund inventory is stated at cost and uses the first-in, first-out method.

In the governmental funds balance sheets, reported inventories in the general fund are equally offset by a reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Encumbrances

Encumbrances are reported as a reservation of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2009 in the governmental funds balance sheet.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2009, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging bank's trust department in the District's name. The securities cannot be moved or redeemed without prior approval of the District. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE C - CASH AND CASH EQUIVALENTS- CONTINUED

Cash and cash equivalents at June 30, 2009 consisted of the following:

	Bank Balance	Book Balance
Jackson County Bank	\$ 2,563,822	\$ 1,612,463
Bank of New York	1,167	1,167
Republic Bank & Trust	1	1
Huntington National Bank	282,229	282,229
US Bank	<u>74,413</u>	<u>74,413</u>
	<u>\$ 2,921,632</u>	<u>\$ 1,970,273</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 1,828,686
Proprietary funds	15,296
Agency funds	<u>126,291</u>
	<u>\$ 1,970,273</u>

NOTE D - RECEIVABLES

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout each year, accounts and grants receivable from outside sources may be grouped into the following categories, (as stated in the District-wide financial statements):

	June 30, 2009 Balance
Accounts receivable from outside sources	
Accounts receivable	\$ 83,399
Taxes receivable	55,841
Grants receivable	<u>376,818</u>
	<u>\$ 516,058</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
Land and land improvements	\$ 2,245,107	\$ 619,467	\$ -	\$ 2,864,574
Buildings and improvements	20,953,737	-	-	20,953,737
Technology	1,747,239	308,818	-	2,056,057
Vehicles	2,812,711	-	-	2,812,711
General equipment	190,283	124,987	-	315,270
Construction in progress	536,574	-	536,574	-
Totals at historical cost	28,485,651	1,053,272	536,574	29,002,349
Less accumulated depreciation	9,478,131	959,157	-	10,437,288
 Governmental Activities Capital Assets - Net	 <u>\$ 19,007,520</u>	 <u>\$ 94,115</u>	 <u>\$ 536,574</u>	 <u>\$ 18,565,061</u>
 <u>Business-Type Activities</u>				
Buildings	\$ 390,859	\$ -	\$ -	\$ 390,859
Technology	5,183	-	-	5,183
General equipment	416,576	-	-	416,576
Totals at historical cost	812,618	-	-	812,618
Less accumulated depreciation	585,812	13,071	-	598,883
 Business-Type Activities Capital Assets - Net	 <u>\$ 226,806</u>	 <u>\$ (13,071)</u>	 <u>\$ -</u>	 <u>\$ 213,735</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 603,337
Student	22,215
Instruction staff	19,721
District administrative	9,478
School administrative	850
Business support	5,353
Plant operation and maintenance	140,506
Student transportation	157,697
	<u>\$ 959,157</u>

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE F - LONG-TERM OBLIGATIONS

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1995	\$ 1,600,000	3.90% - 5.05%
1997	1,885,000	3.70% - 5.15%
1997	61,724	4.00% - 4.60%
1998	885,000	3.90% - 4.40%
1998	443,775	3.50% - 4.20%
1999	86,000	3.80% - 4.45%
2000	2,555,000	5.00% - 5.75%
2002	2,050,000	3.20% - 4.50%
2004	250,000	3.10%
2004	500,000	0%
2005	1,615,000	3.00% - 4.35%
2005	597,062	3.00% - 3.625%
2005	3,155,000	3.15% - 4.15%
2007	2,260,000	3.40% - 3.80%
2009	303,825	0%

The District, through the General Fund, including the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Jackson County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District, through the General Fund, is also obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kentucky Interlocal School Transportation Association for the purchase of school buses.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Assets since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009 for debt service (principal and interest) are as follows:

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE F - LONG-TERM OBLIGATIONS - CONTINUED

Year	Jackson County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2009-10	\$ 586,988	\$ 324,031	\$ 229,756	\$ 47,878	\$ 1,188,653
2010-11	591,991	306,343	123,839	40,421	1,062,594
2011-12	551,823	290,150	72,539	36,876	951,388
2012-13	505,325	273,058	74,184	34,456	887,023
2013-14	514,338	254,958	75,911	31,954	877,161
2014-15	534,381	236,180	72,751	29,416	872,728
2015-16	490,287	216,545	54,713	27,144	788,689
2016-17	513,224	197,918	56,776	25,082	793,000
2017-18	536,084	178,016	58,916	22,942	795,958
2018-19	553,832	157,056	61,168	20,690	792,746
2019-20	576,463	134,935	63,537	18,320	793,255
2020-21	1,108,968	106,105	66,032	15,825	1,296,930
2021-22	636,306	79,856	68,694	13,164	798,020
2022-23	663,502	51,933	71,498	10,360	797,293
2023-24	335,546	30,533	74,454	7,404	447,937
2024-25	352,410	16,010	77,590	4,267	450,277
2025-26	205,967	4,374	64,033	1,329	275,703
	<u>\$ 9,257,435</u>	<u>\$ 2,858,001</u>	<u>\$ 1,366,391</u>	<u>\$ 387,528</u>	<u>\$ 13,869,355</u>

On December 22, 2004, the Jackson County School District Finance Corporation issued \$500,000 in Special Obligations School Financing Bond Series 2004 as a Qualified Zone Academy Bond ("QZAB") pursuant to Section 1297E of the Internal Revenue Code, to finance capital projects of the District. The District made an up front payment of \$275,000 which will be held in trust and invested at rates that will produce sufficient earnings to pay off the bonds when they mature.

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2009 is as follows:

Governmental Activities	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Bonded debt and lease obligations	\$ 11,037,061	\$ -	\$ 717,060	\$ 10,320,001
Capital lease obligations	-	303,825	-	303,825
Accrued sick leave	260,000	-	10,000	250,000
	<u>\$ 11,297,061</u>	<u>\$ 303,825</u>	<u>\$ 727,060</u>	<u>\$ 10,873,826</u>

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE G - RETIREMENT PLANS

The District contributes to the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system and other educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes ("KRS").

Certified employees are covered under KTRS. KTRS also establishes the contribution rates. Funding for the plan is provided through member payroll withholdings and matching State contributions. Effective July 1, 2008, new KTRS members are required to pay 10.855% of their salary, while all other members hired prior to that date continue to pay 9.855%. The matching contributions that are paid by the Federal program for any salaries paid by that program is 13.105%, or 14.105% for new members hired after July 1, 2008.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost-sharing, multiple employer, public employers' retirement system. Funding for the plan is provided through payroll withholdings and matching District contributions. Effective September 1, 2008, new CERS members are required to pay 6% of their salary, while all other members hired prior to that date continue to pay 5%. The District's contribution is 13.5% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$15,472,603. The payroll for employees covered under KTRS was \$12,047,189 and for CERS was \$3,425,414.

The contribution requirement for CERS for the years ended June 30, 2009, 2008 and 2007 were \$624,191, \$693,878, and \$573,004, respectively. The District has no contribution requirement to KTRS.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The KTRS and CERS each issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 (KTRS) and Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 (CERS).

The District also offers employees the option to participate in a defined contribution plan under Section 401(K) and 457 of the Internal Revenue Code. All employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE H - LEASES

The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases. For the year ended June 30, 2009, aggregate cost for equipment and copier rentals was \$66,370.

The Kentucky legislature authorized a five year \$1 million bond issue for technology updates that provides participants a zero percent interest rate, to be repaid over five years. In fiscal year 2009 the District chose to participate and received \$303,825 in capital lease proceeds which were used to provide interactive white boards and projectors in classrooms throughout the District. The semi-annual payment is \$60,765.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2009

NOTE I - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of moneys advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J - LITIGATION

The District is subject to legal actions in various states of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

NOTE K - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

NOTE L - RISK MANAGEMENT

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - DEFICIT OPERATING BALANCES

There was one fund of the District that currently has a deficit fund balance, that being the Adult Education fund with a deficit of \$394. The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 1,847
Food Service Fund	2,706
Adult Education Fund	2,855
Capital Outlay Fund	21,325

NOTE N - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
Year Ended June 30, 2009

NOTE O - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	Special Revenue	General	Indirect Cost Allocation	\$ 12,319
Operating	General	Special Revenue	Funds Transfer	42,323
Operating	General	Debt Service	Debt Service	139,038
Operating	Building	Debt Service	Debt Service	700,283
Operating	Capital Outlay	Debt Service	Debt Service	8,836
Operating	Debt Service	General	Capital Outlay	229,422

NOTE P - INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2009, there were no interfund balances outstanding that would be reflected in the financial statements.

NOTE Q - ON-BEHALF OF PAYMENTS

For the year ended June 30, 2009 total payments of \$3,728,576 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances. These revenues and expenditures are not budgeted by the District.

NOTE R – SUBSEQUENT EVENTS

Date of Management Evaluation

Management of the District has evaluated subsequent events through November 9, 2009, the date on which the financial statements were available to be issued. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

JACKSON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Capital Outlay Fund	Building Fund	Construction Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 43,466	\$ 18,863	\$ 48,233	\$ 110,562
Total assets	<u>\$ 43,466</u>	<u>\$ 18,863</u>	<u>\$ 48,233</u>	<u>\$ 110,562</u>
FUND BALANCES				
Fund Balances				
Unreserved, designated for	\$ 43,466	\$ 18,863	\$ 48,233	\$ 110,562
Total fund balances	<u>\$ 43,466</u>	<u>\$ 18,863</u>	<u>\$ 48,233</u>	<u>\$ 110,562</u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2009

	Capital Outlay Fund	Building Fund	Construction Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources				
Property taxes	\$ -	\$ 177,713	\$ -	\$ 177,713
Earnings on investments	-	-	-	-
State sources				
SEEK	196,854	-	-	196,854
Other	-	524,070	-	524,070
Federal sources	-	-	63,426	63,426
Total revenues	<u>196,854</u>	<u>701,783</u>	<u>63,426</u>	<u>962,063</u>
Expenditures				
Plant operation and maintenance	209,343	-	-	209,343
Facilities acquisition and construction	-	-	65,273	65,273
Debt service	-	1,500	-	1,500
Total expenditures	<u>209,343</u>	<u>1,500</u>	<u>65,273</u>	<u>276,116</u>
Excess (deficit) of revenues over expenditures	<u>(12,489)</u>	<u>700,283</u>	<u>(1,847)</u>	<u>685,947</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(8,836)	(700,283)	-	(709,119)
Capital lease proceeds	-	-	-	-
Total other financing sources (uses)	<u>(8,836)</u>	<u>(700,283)</u>	<u>-</u>	<u>(709,119)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(21,325)</u>	<u>-</u>	<u>(1,847)</u>	<u>(23,172)</u>
Fund balance, July 1, 2008	<u>64,791</u>	<u>18,863</u>	<u>50,080</u>	<u>133,734</u>
Fund balance, June 30, 2009	<u>\$ 43,466</u>	<u>\$ 18,863</u>	<u>\$ 48,233</u>	<u>\$ 110,562</u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL-GENERAL FUND
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original Tentative</u>	<u>Final Working</u>		
Revenues				
From local sources				
Property taxes	\$ 1,260,000	\$ 1,285,000	\$ 1,363,057	\$ 78,057
Motor vehicle taxes	350,000	365,000	333,764	(31,236)
Unmined minerals taxes	2,500	5,000	3,189	(1,811)
Other taxes	8,000	10,000	18,409	8,409
Earnings on investments	80,000	85,000	74,521	(10,479)
State sources				
SEEK	11,845,739	11,739,965	11,739,964	(1)
Other	120,764	120,764	3,668,775	3,548,011
Federal - indirect	95,000	70,000	75,863	5,863
Revenue in lieu of taxes	43,000	53,500	157,064	103,564
Other revenues	17,000	28,900	165,263	136,363
Total revenues	<u>13,822,003</u>	<u>13,763,129</u>	<u>17,599,869</u>	<u>3,836,740</u>
Expenditures				
Instruction	7,280,489	7,233,025	10,069,857	(2,836,832)
Support services				
Student	963,457	1,077,354	1,249,342	(171,988)
Instruction staff	687,557	642,542	947,436	(304,894)
District administration	470,525	477,706	470,254	7,452
School administration	470,258	465,564	559,563	(93,999)
Business	355,042	403,226	410,925	(7,699)
Plant operation and maintenance	1,576,555	1,621,181	1,543,913	77,268
Student transportation	1,828,341	1,780,129	1,667,750	112,379
Debt service	139,038	139,038	-	139,038
Other expenditures	550,000	528,502	468	528,034
Total expenditures	<u>14,321,262</u>	<u>14,368,267</u>	<u>16,919,508</u>	<u>(2,551,241)</u>
Excess (deficit) of revenues over expenditures	<u>(499,259)</u>	<u>(605,138)</u>	<u>680,361</u>	<u>1,285,499</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	241,741	241,741
Operating transfers out	(33,500)	(33,500)	(181,361)	(147,861)
Total other financing sources (uses)	<u>(33,500)</u>	<u>(33,500)</u>	<u>60,380</u>	<u>93,880</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(532,759)</u>	<u>(638,638)</u>	<u>740,741</u>	<u>1,379,379</u>
Fund balance, July 1, 2008	<u>532,759</u>	<u>638,638</u>	<u>743,956</u>	<u>105,318</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484,697</u>	<u>\$ 1,484,697</u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT
COMBINED BALANCE SHEET - SCHOOL ACTIVITY FUNDS
June 30, 2009

	<u>McKee Elementary School</u>	<u>Sand Gap Elementary School</u>	<u>Tyner Elementary School</u>	<u>Jackson County High School</u>	<u>Jackson County Middle School</u>	<u>Total Agency Funds</u>
ASSETS						
Cash	\$ 52,796	\$ 2,336	\$ 27,722	\$ 26,120	\$ 17,317	\$ 126,291
Accounts receivable	<u>1,631</u>	<u>4,913</u>	<u>4,579</u>	<u>439</u>	<u>333</u>	<u>11,895</u>
Total assets	<u>\$ 54,427</u>	<u>\$ 7,249</u>	<u>\$ 32,301</u>	<u>\$ 26,559</u>	<u>\$ 17,650</u>	<u>\$ 138,186</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 114	\$ 5,791	\$ 295	\$ 711	\$ 2,266	\$ 9,177
Total liabilities	114	5,791	295	711	2,266	9,177
Fund balances:						
Unreserved	<u>54,313</u>	<u>1,458</u>	<u>32,006</u>	<u>25,848</u>	<u>15,384</u>	<u>129,009</u>
Total liabilities and fund balances	<u>\$ 54,427</u>	<u>\$ 7,249</u>	<u>\$ 32,301</u>	<u>\$ 26,559</u>	<u>\$ 17,650</u>	<u>\$ 138,186</u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2009

	<u>McKee Elementary School</u>	<u>Sand Gap Elementary School</u>	<u>Tyner Elementary School</u>	<u>Jackson County High School</u>	<u>Jackson County Middle School</u>	<u>Total Agency Funds</u>
REVENUES:						
Local sources	\$ 71,125	\$ 43,681	\$ 94,942	\$ 305,426	\$ 75,475	\$ 590,649
EXPENDITURES:						
Student body activities	<u>60,783</u>	<u>45,120</u>	<u>88,468</u>	<u>316,945</u>	<u>71,297</u>	<u>582,613</u>
Excess (deficit) of revenues over expenditures	10,342	(1,439)	6,474	(11,519)	4,178	8,036
OTHER FINANCING SOURCES:						
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures	10,342	(1,439)	6,474	(11,519)	4,178	8,036
FUND BALANCE, July 1, 2008	<u>43,971</u>	<u>2,897</u>	<u>25,532</u>	<u>37,367</u>	<u>11,206</u>	<u>120,973</u>
FUND BALANCE, June 30, 2009	<u>\$ 54,313</u>	<u>\$ 1,458</u>	<u>\$ 32,006</u>	<u>\$ 25,848</u>	<u>\$ 15,384</u>	<u>\$ 129,009</u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES -
JACKSON COUNTY HIGH SCHOOL ACTIVITY FUND
Year Ended June 30, 2009

	Fund Balances July 1, 2008	Revenues	Expenditures	Fund Balances June 30, 2009
Accounts:				
Academic Team	\$ 411	\$ 4,137	\$ 4,121	\$ 427
American Red Cross	47	-	47	-
4-H Club	-	-	-	-
Band	485	1,039	1,278	246
Baseball Club	815	24,793	19,920	5,688
Boys Basketball	8,593	47,103	54,655	1,041
Girls Basketball	1,654	49,819	51,473	-
Beta Club	344	1,856	1,887	313
Bible Club	199	157	-	356
Cheerleaders	1,972	4,185	5,851	306
Cross Country	714	-	267	447
Dance Team	36	2,247	2,283	-
District Tournament	-	2,301	2,179	122
Family Career and Community				
Leaders of America	488	344	788	44
Fellowship of Christian Athletes	72	980	904	148
Football	2,761	13,077	15,838	-
Future Business Leaders of America	149	860	764	245
Future Farmers of America	801	30,895	27,593	4,103
General Fund	3,387	47,875	50,658	604
Golf	203	2,220	2,093	330
Greenhouse	-	1,896	1,607	289
Library	672	1,788	1,644	816
National Honor Society	1,541	2,692	2,931	1,302
Pep Club	574	-	574	-
Prom	-	6,940	6,940	-
Regional FFA	-	9,874	9,874	-
Scholarship Fund	-	-	-	-
Science Club	165	886	881	170
Seniors	171	30,563	30,734	-
Softball	734	1,024	1,305	453
Spanish Club	3,154	-	777	2,377
STLP	48	487	535	-
Teacher's Lounge	1,494	5,820	7,314	-
Volleyball	-	6,073	5,737	336
Yearbook	5,444	9,495	9,600	5,339
Young Republicans	55	291	-	346
Youth Service Center	184	-	184	-
Subtotals	<u>37,367</u>	<u>311,717</u>	<u>323,236</u>	<u>25,848</u>
Inter-fund Transfers	<u>-</u>	<u>(6,291)</u>	<u>(6,291)</u>	<u>-</u>
Totals	<u>\$ 37,367</u>	<u>\$ 305,426</u>	<u>\$ 316,945</u>	<u>\$ 25,848</u>

See accompanying independent auditor's report

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Title I Program	84.010	33-540-3108	\$ 161,002
Title I Program	84.010	33-540-3108M	5,579
Title I Program	84.010	33-540-3109	1,064,587
Title I Program	84.010	33-540-3109M	<u>43,158</u>
			<u>1,274,326</u>
Title I, Part D	84.010	33-540-3148	14,159
Title I, Part D	84.010	33-540-3149	<u>14,193</u>
			<u>28,352</u>
Title I, Part D School Improvements	84.010A	33-540-3208	37,242
Title I, Part D School Improvements	84.010A	33-540-3208G	<u>37,291</u>
			<u>74,533</u>
Vocational Education	84.048	33-540-3489	26,428
Special Education Cluster			
Special Education	84.027	33-540-3378	65,068
Special Education	84.027	33-540-3379	451,142
Special Education, Preschool	84.173	33-540-3438	1,687
Special Education, Preschool	84.173	33-540-3439	<u>26,884</u>
Total Special Education Cluster			<u>544,781</u>
Title IV, Safe and Drug Free Schools and Communities	84.186A	33-540-4068	8,915
Title IV, Safe and Drug Free Schools and Communities	84.186A	33-540-4069	<u>15,272</u>
			<u>24,187</u>
Title VI	84.298A	33-540-3348	31
Title II, Part D, Education Technology	84.318X	33-540-4257	5,865
Title II, Part D, Education Technology	84.318X	33-540-4258	<u>4,850</u>
			<u>10,715</u>
Reading First	84.357A	33-540-5087R	84,623
Reading First	84.357A	33-540-5088R	<u>238,156</u>
			<u>322,779</u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year Ended June 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION - (Continued)</u>			
Improving Teacher Quality	84.367	33-540-4019	\$ 232,580
Improving Teacher Quality	84.367	33-540-4010	<u>17,519</u>
			<u>250,099</u>
Kentucky Instructional Leadership Team	84.367A	33-540-4009	2,467
Rural Education Achievement Program	84.358B	33-540-3508	47,558
Rural Education Achievement Program	84.358B	33-540-3509	<u>24,437</u>
			<u>71,995</u>
Improving Literacy	84.364A	33-540-3878A	42,033
Passed Through Cabinet for Workforce Development:			
Adult Education	84.002	33-540-3739	46,260
Adult Education	84.002	33-540-3739S	<u>1,309</u>
			<u>47,569</u>
Tech Prep Education	84.243	33-540-3637	(2,580)
Tech Prep Education	84.243	33-540-3638	(480)
Tech Prep Education	84.243	33-540-3639	<u>12,227</u>
			<u>9,167</u>
Passed Through Eastern Kentucky University:			
Gear Up	84.334A	33-540-3798E	2,395
Gear Up	84.334A	33-540-3798G	20,844
Gear Up	84.334A	33-540-3799C	5,010
Gear Up	84.334A	33-540-3799E	41,467
Gear Up	84.334A	33-540-3799F	8,547
Gear Up	84.334A	33-540-3799G	108,471
Gear Up	84.334A	33-540-3799H	3,728
Gear Up	84.334A	33-540-3799R	<u>5,600</u>
			<u>196,062</u>
Total U.S. Department of Education			<u><u>2,925,524</u></u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year Ended June 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Center for Rural Development:			
UNITE Unlawful Narcotics Treatment	16.580	33-540-3008	\$ (612)
Total U.S. Department of Justice			<u>(612)</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through KY River Foothills Development Council:			
Head Start Program	93.600	04CH2164	13,334
Passed Through Jackson County Empowerment Zone:			
Title XX SSA Empowerment Zone	93.585	N/A	<u>63,426</u>
Total U.S. Department of Health and Human Services			<u>76,760</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002	723,616
National School Breakfast Program	10.553	7760005	407,906
Summer Food Program	10.559	7740023	<u>79,623</u>
Total Child Nutrition Cluster			<u>1,211,145</u>
Passed through Kentucky Department of Agriculture:			
Food Donation	10.550	1006	84,026
Passed through Forward in the Fifth:			
Nutritional Education Project	10.564	33-540-2149	<u>1,499</u>
Total U.S. Department of Agriculture			<u>1,296,670</u>
Total Expenditures of Federal Awards			<u>\$ 4,298,342</u>

See accompanying independent auditor's report

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Jackson County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unqualified

Internal control over financial reporting:

- Material weakness(es) identified _____yes _____X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes _____X none reported

Noncompliance material to financial statements noted? _____yes _____X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes _____X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes _____X none reported

Type of auditor's report issued on compliance for major programs - unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____yes _____X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee? _____X yes _____no

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year Ended June 30, 2009

Section II – Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2009

Status of Prior Year Findings

There were no prior year findings.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Jackson County School District
McKee, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson County School District as of and for the year ended June 30, 2009, which collectively comprise the Jackson County School District's basic financial statements and have issued our report thereon dated November 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*.

We noted certain matters that we reported to management of Jackson County School District in a separate letter dated November 9, 2009.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Jackson County School District, the Kentucky Department of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baldwin CPAs, PLLC

London, Kentucky
November 9, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education
Jackson County School District
McKee, Kentucky

Compliance

We have audited the compliance of Jackson County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Jackson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson County School District's management. Our responsibility is to express an opinion on Jackson County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jackson County School District's compliance with those requirements.

In our opinion, Jackson County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Jackson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jackson County School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Jackson County School District, the Kentucky Department of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baldwin CPAs, PLLC

London, Kentucky
November 9, 2009

MANAGEMENT LETTER COMMENTS

Members of the Board Education
Jackson County School District
McKee, Kentucky

In planning and performing our audit of the financial statements of Jackson County School District as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting or compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the District's internal control in our report dated November 9, 2009. This letter does not affect our report dated November 9, 2009 on the financial statements of the Jackson County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Baldwin CPAs, PLLC

London, Kentucky
November 9, 2009

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
Year Ended June 30, 2009

School Activity Funds

Annual Financial Report

- a. Statement of Condition – One school (Jackson County Middle School) did not prepare a complete list of accounts receivable and accounts payable as of June 30, 2009.
- b. Criteria – The Redbook requires a list of accounts receivable and accounts payable (Form F-SA-15B) accompany the Annual School Activity Report.
- c. Cause of Condition – The bookkeeper just failed to determine and include all receivables and payables for her school at June 30, 2009.
- d. Effect – The Annual School Activity Report's revenues and expenditures could be misstated.
- e. Recommendation – The annual financial reports should be amended to include a complete and revised Form F-SA-15B.
- f. Management's Response – The list of accounts payable and accounts receivable is a Redbook requirement for school activity accounts. The Finance Officer will meet with the bookkeeper and provide additional training on how to properly account for these items on the Annual School Activity Report.

Sales Tax Paid

- a. Statement of Condition – At one school (Jackson County Middle School), one instance was noted where sales tax was paid.
- b. Criteria – Good internal control procedures requires scanning of vendor's invoices to ensure that no sales taxes are paid.
- c. Cause of Condition – The bookkeeper failed to recognize that sales taxes were being charged on the vendor's invoice.
- d. Effect – Sales tax is not an allowable expense.
- e. Recommendation – The bookkeeper should scan all invoices and decline to pay any sales tax charged.
- f. Management's Response – The instance of sales tax being paid is a simple mistake but one that must be avoided. The school should request reimbursement from this vendor. To prevent any further occurrences, the Secretary and Principal need to both check invoice details before stamping and signing the invoice for payment approval.

Deposits Not Made in a Timely Fashion

- a. Statement of Condition - At one school (Jackson County High), there were several instances where bank deposits were not made timely.
- b. Criteria - Good internal control procedures requires timely deposit of cash received and the Redbook requires deposits greater than \$100 to be made daily.
- c. Cause of Condition – The problem appears to be a time issue with the bookkeeper.
- d. Effect – When cash is on hand, it is more susceptible to theft.
- e. Recommendation – Bookkeepers should make daily deposits, especially when the amount is greater than \$100.
- f. Management's Response – Redbook training was provided at the beginning of the year for all Bookkeepers and Principals. Jackson County High School began this fiscal year with a new principal and we understand the magnitude of the learning process required of any new administrator. However, the finding of deposits greater than \$100 not being deposited on a daily basis is a recurring instance at the High School. It was a finding at the High School both on the 2006-2007 and 2007-2008 fiscal year audits which makes this a very serious problem. Therefore, effective immediately the Principal will be responsible for making sure deposits greater than \$100 are made on a daily basis. To ensure the central office that procedures are being followed, it will be necessary for the Finance Officer to receive copies of all daily deposit tickets by the close of business on Friday of each week.

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED
Year Ended June 30, 2009

Ticket Sales Unaccounted For

- a. Statement of Condition – At one school (Jackson County High), there were several tickets that appeared to be unaccounted for.
- b. Criteria – The Redbook requires pre-numbered tickets to be used for all events for which admission is charged. The tickets should be used consecutively.
- c. Cause of Condition – The bookkeeper did not use the pre-numbered tickets consecutively.
- d. Effect – This could result in the ticketed sales from events not getting recorded or deposited or tickets being distributed without payment being received.
- e. Recommendation – Pre-numbered tickets should be used consecutively for all events which admission is charged.
- f. Management's Response – The instance where tickets were unaccounted for is also a very serious problem. Accounting for ticket sales is required for every ballgame as a means of checks and balances toward preventing any unlawful activity. Because of the importance of this instance it must be monitored more closely. To prevent loss or theft and to ensure accountability of all tickets they need to be kept in a secure locked location. Also, beginning immediately the Athletic Director will be responsible for monitoring all ticket sales and reporting any violations to the Finance Officer. The Finance Officer will then report the violation to the Superintendent so that it can be dealt with immediately.

JACKSON COUNTY SCHOOL DISTRICT

RESOLUTION OF RECOMMENDATIONS OF PRIOR YEAR MANAGEMENT LETTER POINTS

Year Ended June 30, 2009

The prior year management letter contained conditions relating to the following:

GENERAL

1. Payroll

SCHOOL ACTIVITY FUNDS

2. Annual Financial Report
3. Budgets
4. Deposits Not Made in a Timely Fashion
5. Purchasing
6. Multiple Receipt Forms/Deposits

Procedures performed for the year ended June 30, 2009 did not indicate a recurrence of conditions 1, 3, 5, and 6. The District appears to have adequately addressed the recommendations that were made.

For conditions 2 and 4, these are repeat conditions for the year ended June 30, 2009.

Members of the Board of Education
Mr. Ralph Hoskins, Superintendent
Jackson County School District
McKee, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson County School District as of and for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 27, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jackson County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008-2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Jackson County School District's financial statements was:

Management's estimate that an allowance for doubtful accounts is not necessary is based on from whom the receivables are due and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to make this determination and its reasonableness in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the Board of Education and management of Jackson County School District and is not intended to be and should not be used by anyone other than these specified parties.

Baldwin CPAs, PLLC

London, Kentucky
November 9, 2009